EXPORT AND DOMESTIC USE

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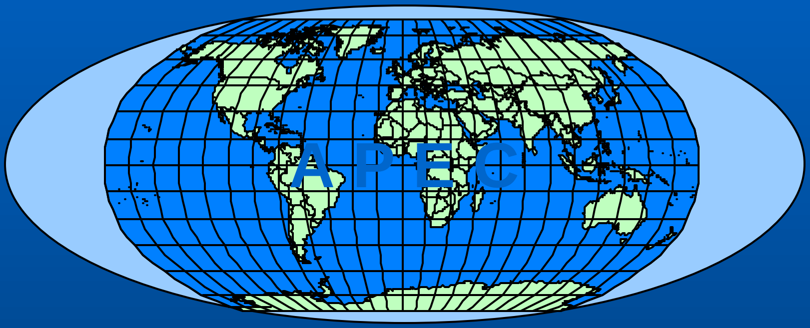
ABSTRACT

This paper describes the development of Indonesia's coal mining industry, which rapid development has been supported by advantages of Indonesia coal such as relatively good quality of coal and its geographic proximity to Asian markets.

Although the export market underwent rapid development, domestic market absorption need to be improved. On the other hand, factors such as implementation of regional authority need to be addressed carefully in order to give more certainty to the coal mining industry.

EXPORT AND DOMESTIC USE

The Role of Coal in South East Asia



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ADVANTAGES OF INDONESIA’S COAL INDUSTRY

- Indonesia’s coal industry has access to extensive resources that are generally have low extraction costs,
- Indonesia coal quality are characterized by relatively low sulfur and ash contents,
  - Port capacity in Indonesia remains abundant and can be readily expanded to meet future increases in demand,
    - Indonesian coals have competitive price in accordance with market forces and its geographic proximity to Asian markets,
- In the future many of Indonesia’s coal growth will come from sub-bituminous coal developments which are easily accessible and have relatively low cost structure associated with them.

IN 2000

- THE COAL MINING INDUSTRY PROVIDED DIRECT EMPLOYMENT FOR 43,418 PEOPLE (261 OF WHOM ARE EXPATRIATES);

- CUMULATIVE INVESTMENT BY CONTRACTOR COMPANIES GENERATIONS 1, 2, AND 3 : FROM 1982 US $3,136,284, 316.08 AND Rp.1,949,429,007,731.04;

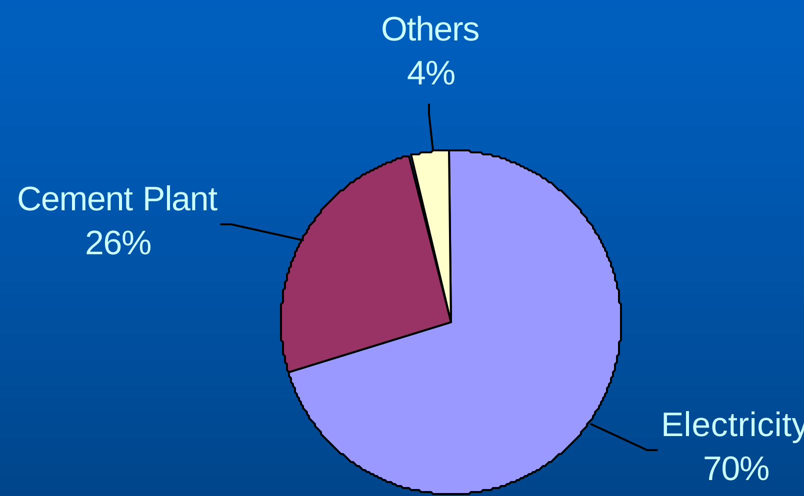
- STATE REVENUE (TAX AND NON - TAX) FROM GENERATIONS 1,2, AND 3 : US$ 101,025,663.36 AND Rp. 1,058,162,644,265.65;

- A SIGNIFICANT CONTRIBUTION TO INDONESIA’S BALANCE OF PAYMENTS, IN EXCEES OF US$1 BILLION FROM EXPORT EARNINGS AND DOMESTIC SALES.

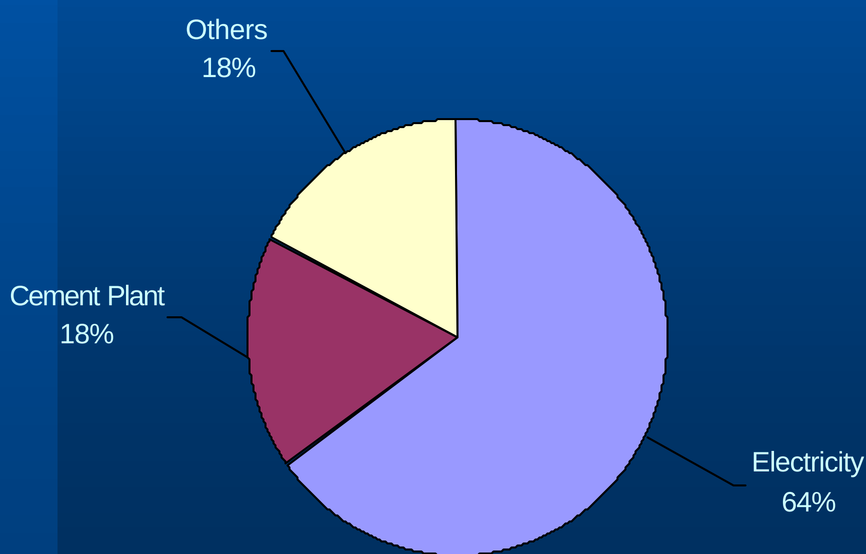
Figure 2:

Shares of domestic coal consumption by major consumers, 1995 and 2000

1995(9.21 MT)



2000 (20,54 MT)



COAL POLICY

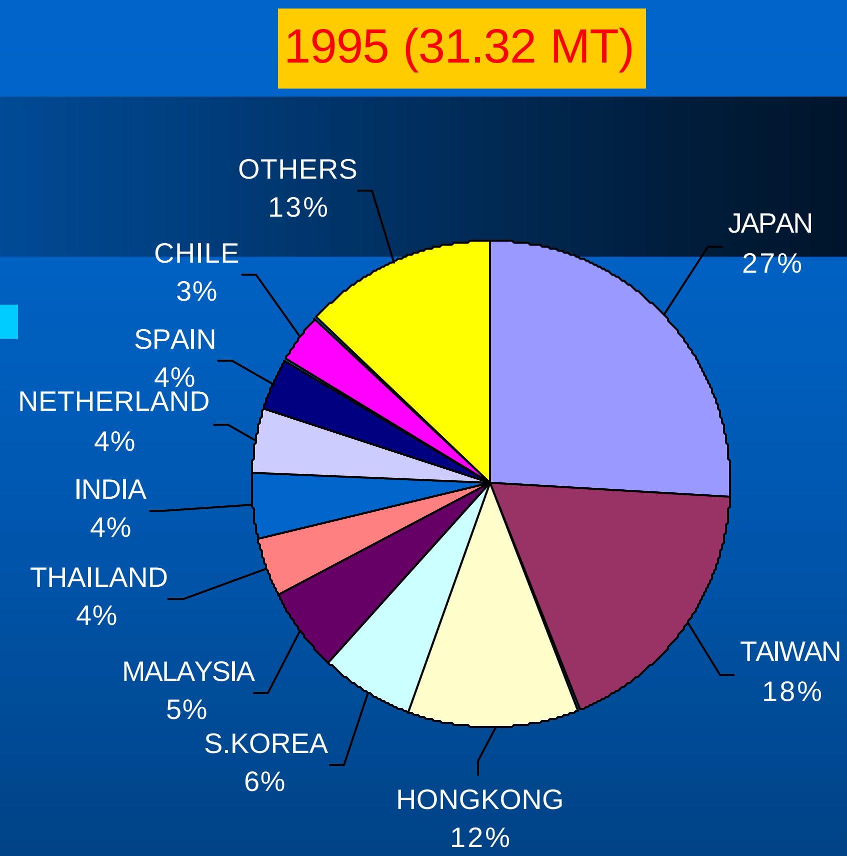
- In line with General Policy in the Energy Sector (KUBE);

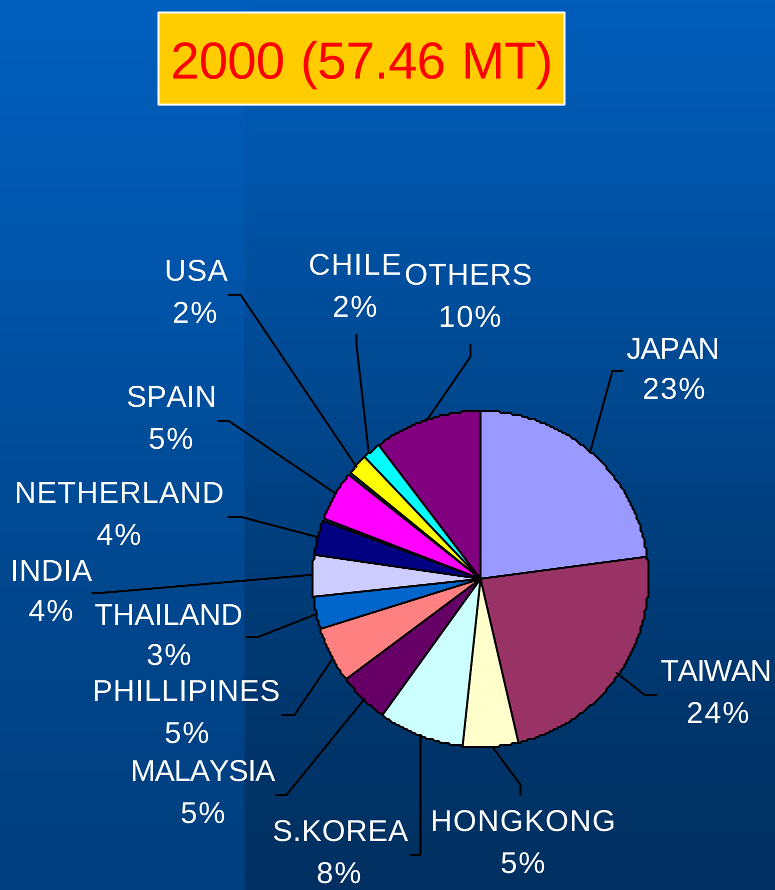
- The policy comprises :-

  - Exploitation
  - Investment and coal undertaking
  - Level of production
  - Pricing
  - Environment
  - Infrastructure

Figure 3:

Coal export pattern, 1995 and 2000





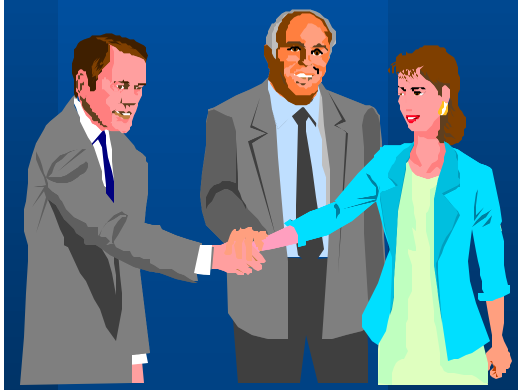
POTENTIAL PROBLEM IN COAL MINING INDUSTRY

- Business and problem risks;
- Impact of implementation of regional autonomy (Laws No. 22 and 29 of 1999);
- Issuance of (Government Regulation No. 144 of 2000).

FUTURE OUTLOOK FOR COAL SUPPLY

Year	Electricity	Cement	Other	Sub-total	Export	Total Million tons
2000	15.2	3.6	3.6	22.4	57.4	79.8
2005	27.8	4.5	3.8	36.1	73.5	109.6
2010	39.1	5.7	4.8	49.6	81.7	131.3
2015	55.1	7.2	6.0	68.3	86.0	154.3
2020	77.6	9.1	7.6	94.3	89.0	183.3

CONCLUDING REMARKS



- Coal demand in Asia into midterm is still rising although stricter environmental concerns may lead to the lower sulfur and ash contents to be favoured by utilities in the future. Improved technology will give more room for lower quality coal utilization;

- Considering potentiality of Indonesia coal mining industry and ever increasing demand of domestic and export markets, Indonesia will be poised to maintain its position as stable coal producer and exporter, although in longer term capacity increase in Indonesia may be lower than before.